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Behind The Scenes With The Trade Bill

Although the House committee markup of the trade bill (HR 3) has finished, the shape of the legislation is still a question mark because of a jurisdictional battle between the Ways and Means and Energy and Commerce Committees. Intense behind-the-scenes negotiations are being conducted before the bill reaches the Rules Committee in an attempt to resolve most of the tough compromises before the floor debate.

• The requisite five years of experience practicing "home" law may be accumulated anywhere other than Japan (see next point). The time an American lawyer spends practicing U.S. law in Europe, for example, could count toward the five-year requirement. Experience gained as a federal government attorney counts regardless of location.

• Up to two years of experience as a legal trainee in Japan applies toward the five-year requirement for those in Japan when the law takes effect.

• There is no limit on the number of clerks and assistants each qualified foreign lawyer may bring to Japan, as long as the "necessity and nonreplacability of their services" can be demonstrated.

• The Ministry of Justice will grant the necessary statement of qualifications to foreign applicants within three months of application. The foreign lawyer must also register with the Japan Federation of Bar Associations (Nichibenren). Nichibenren has also pledged to process registration applications within three months.

• Business associations between foreign and Japanese lawyers (bengoshi) are permitted by the ministry. The only limits are prohibitions on profit sharing and on the hiring of a bengoshi by a foreign lawyer. Note that in the latter case, the opposite is permitted: a Japanese lawyer is free to hire a foreign lawyer. Therefore, offices, support staff and expenses may be freely shared and clients may be referred between foreign and Japanese lawyers.

While some points are still being clarified, such as rules governing advertising, officials hope that the agreement will satisfy the lawyers and their clients. The agreement has prompted Texas to begin the process of changing its state regulations to meet the reciprocity requirements, and drawn similar interest from the State of Washington and other jurisdictions. Although the agreement has met with mixed reviews, and some suspicion about MOJ's implementation remains, only time will show if this case has been closed.

Jon Choy

JNR Privatization Arrives On Time

On April 1 Japanese National Railways, the last major government-owned corporation, was split into six private passenger rail lines, one freight company, three non-rail firms and one holding company. The change, which marked the end of an era of government involvement in basic services, underscored Tokyo's commitment to deregulation. No matter how drastic the restructuring, however, the burden of JNR's Y37.7 trillion ($251.3 billion at Y150=$1.00) debt remains a major problem.

JNR was created June 1, 1949 by combining the various government-owned railways under the supervision of the Ministry of Transport. Growth was fueled by reconstruction efforts during the first two decades and by ambitious expansion plans during the 1970s. JNR's assets were tremendous: 200 rail lines with more than 13,000 miles of track; 45,500 rail cars; 5,000 stations; 226 square miles of land; and investments worth Y41.5 billion ($276.7 million) in 155 non-rail enterprises; but so were its debts. JNR suffered a record operating loss of Y2,020.1 billion ($13.5 billion) in fiscal 1985, 11 percent more

than the previous year. JNR management attributed the deterioration to higher outlays for retirement benefits and interest payments. Although profits from other areas rose 2 percent to Y191.9 billion ($1.3 billion), it was not nearly enough to prevent a record net loss of almost Y1,845 billion ($12.3 billion). This left the giant company in the red to the tune of Y14.1 trillion ($94 billion) in short-term debt and Y23.6 trillion ($157.3 billion) in long-term obligations.

The new Japan Railways group of passenger lines will employ 215,000 of JNR's 276,000 employees; the remaining 61,000 have taken early retirement or received job offers from other firms (see Table). The holding company, JNR Liquidation Corp., will offer job placement services to 7,800 regional workers displaced by the privatization, and work at disposing most of JNR's Y37.7 trillion ($251.3 billion) debt. A total of Y14.6 trillion ($97.3 billion) will be shouldered by the new freight line, the bullet train and the three most profitable passenger service companies. JNR Liquidation hopes to redeem another Y8.4 trillion ($56 billion) by selling 12.9 square miles of JNR land and shares of stock in the new companies. The remaining Y14.7 trillion ($98 billion) will be refinanced and redeemed over the next 30 years.

Employment Plans of the Japan Railway Group

	Ex-JNR employees	Vacancies	Total
Hokkaido Railway Co., Ltd.	12,719	281	13,000
Eastern Japan Railway Co., Ltd.	82,472	7,068	89,540
Central Railway Co., Ltd.	21,410	3,790	25,200
Western Japan Railway Co., Ltd.	51,543	1,857	53,400
Shikoku Railway Co., Ltd.	4,465	435	4,900
Kyushu Railway Co., Ltd.	14,589	411	15,000
Japan Freight Railway Co., Ltd.	12,009	491	12,500
Shinkansen Property Corp.	58	2	60
Railway Telecommunications Co., Ltd.	563	7	570
Railway Information Systems Co., Ltd.	275	5	280
Railway Technical Research Institute	545	5	550
Total	200,648	14,352	215,000

Source: Nihon Keizai Shimbun

Officials hope that each of the companies will break even in the first year of operation, although the three passenger rail units serving sparsely populated regions will receive a modest government subsidy. The prescribed remedy, which calls for higher fares and reduced service, will disadvantage rural areas highly dependent on JNR service, as the metropolitan areas are already served by several private lines. Freedom from bureaucratic control is also key; not only will innovation and new services be promoted, but basic areas such as food service and employee courtesy will be stressed. Diversification into such areas as travel services and convenience stores form important parts of the group's plans.

The privatization will complete a wrenching overhaul of the railway unions. The Japan Railway Workers' Union (Tetsuro) and the National Railway